



October 7, 2010

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU  
REJECT THE UNSOLICITED OFFER FOR YOUR COMMON SHARES  
AND NOT TENDER YOUR SHARES**

Dear Fellow Shareholder:

Your Board, after carefully considering the Unsolicited Offer made for your Common Shares, unanimously determined that the Unsolicited Offer is not in your best interests as a Baffinland Shareholder nor in the best interests of Baffinland.

Your Board voted unanimously to **REJECT** the Unsolicited Offer and unanimously recommends that you do **NOT TENDER** your shares into the Unsolicited Offer.

On September 22, 2010, the Unsolicited Offer was made to acquire, on the terms and conditions described in the Unsolicited Offer, all of the issued and outstanding Baffinland Common Shares for \$0.80 in cash per Common Share.

In reaching its conclusion, your Board carefully considered all aspects of the Unsolicited Offer. In making your decision regarding the Unsolicited Offer, you should consider your Board's reasons:

- The Unsolicited Offer significantly undervalues Baffinland and its Mary River Property.
- The Unsolicited Offer is at a significant discount to precedent transaction multiples.
- The Offer Price represents an 18.4% discount to the closing price of your Common Shares on October 6, 2010.
- Baffinland's financial advisors, CIBC World Markets Inc. ("CIBC"), have delivered a written opinion stating that the consideration offered to Shareholders under the Unsolicited Offer is inadequate, from a financial point of view, to Shareholders.
- Discussions are being pursued with third parties and superior offers or other alternatives may emerge.
- The Unsolicited Offer is opportunistic and fails to provide full and fair value for your Baffinland Common Shares.
- The Unsolicited Offer is not a Permitted Bid under Baffinland's Shareholder Rights Plan and is inherently coercive.
- The Unsolicited Offer is highly conditional.
- Certain Shareholders including all of Baffinland's directors and officers have indicated that they do NOT intend to tender to the Unsolicited Offer.

Your Board considers all of the foregoing to be compelling reasons to support its **UNANIMOUS** recommendation that Baffinland Shareholders **REJECT** the Offeror's inadequate and opportunistic offer.

We strongly encourage you to carefully review the full explanation of the reasons for your Board's recommendation in the enclosed Directors' Circular, including the opinion, dated October 6, 2010, from our financial advisors, CIBC, to the effect that, on the basis of the assumptions, limitations and qualifications set forth in, and as of the date of such opinion, the consideration being offered under the Unsolicited Offer was inadequate, from a financial point of view, to Baffinland Shareholders (other than the Offeror and any of its affiliates). The opinion was provided for the information and assistance of the Board in connection with its consideration of the Unsolicited Offer. The opinion does not constitute a recommendation to shareholders as to whether they should tender their shares to the Unsolicited Offer.

None of the directors or senior officers of Baffinland has accepted or currently intends to accept the Unsolicited Offer.

Baffinland, and its financial and legal advisors, are working to evaluate a range of strategic alternatives to enhance shareholder value. Baffinland has been approached by, and has initiated contact with, a number of third parties who have expressed an interest in considering alternative transactions. Discussions are being pursued with these third parties in order to generate value-enhancing alternatives. While it is impossible to predict whether any compelling proposals will emerge from these efforts and discussions, due to the value of Baffinland's Mary River iron ore deposits, the Baffinland Board believes that Baffinland and its assets are potentially very attractive to other parties in addition to the Offeror.

To reject the Unsolicited Offer you need not do anything. If you have already tendered your Common Shares, you can withdraw them.

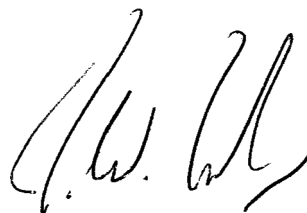
If you have any questions concerning how to withdraw your common shares or with respect to Baffinland's Directors' Circular, or if you require additional copies of Baffinland's publicly filed materials, you should contact Phoenix Advisory Partners, our information agent at 1-800-503-9445.

On behalf of the Board we thank you for your continued support.

Sincerely,



Richard McCloskey  
Chairman of the Board of Directors and  
Acting President and Chief Executive  
Officer



John Lydall  
Chairman of the Special Committee and  
Director